higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

FINANCIAL MANAGEMENT: FARMING N6

(4090506)

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This question paper consists of 6 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
FINANCIAL MANAGEMENT: FARMING N6
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer all the questions.
2. Read all the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Start each section on a new page.
5. Use only a black or blue pen.
6. Write neatly and legibly.

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QUESTION 1: THE RIGHT TO USE LAND

1.1 Choose a description from COLUMN B to match a term in COLUMN A. Write only the letter (A–N) next to the question number (1.1.1–1.1.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	Land rights	A	leasing or purchasing land
1.1.2	Fixed agreement	B	willing buyer and willing seller
1.1.3	Project agreement	C	situational networks
1.1.4	Wage agreement	D	personal and market value
1.1.5	Fluctuating cash lease	E	high prestige value
1.1.6	Land ownership	F	fixed cash lease and share agreement
1.1.7	Land valuation	G	junior partner gets fixed cash salary
1.1.8	Value-producing factor	H	simplest form of joint farming
1.1.9	Market value	I	serves to encourage the junior partner
1.1.10	Obtaining rights to use land	J	Section 25 of the constitution
		K	Section 12 of the constitution
		L	Bill of rights
		M	Department of Agriculture
		N	access roads and other infrastructure

(10 × 1) (10)

1.2 Write advisory notes on how to perform or achieve the following in a farming enterprise:

1.2.1 Limiting conflicts and misunderstanding before concluding lease agreements (9 × 2) (18)

1.2.2 Sharing of profit in a partnership (4 × 2) (8)

1.2.3 Determining the size of the land to buy (3 × 2) (6)

1.2.4 Applying the correct formula for determining land price based on income potential of land by the prospective buyer (4 × 2) (8)

[50]

QUESTION 2: FARM MECHANISATION AND BUILDINGS

Maria Lucas won the Best Young Farmer of the year award for 2018. She was given a new tractor and a cheque for R500 000. It is a known fact that she has no experience of owning farm machinery.

2.1	Describe the possible expenses that she will encounter as a result of a tractor that she won.	(8 × 2)	(16)
2.2	Suppose she was given a second-hand tractor as her prize. Evaluate the possible setbacks or challenges she would encounter.	(5 × 2)	(10)
2.3	How can she keep her tractor efficient?	(2 × 2)	(4)
2.4	Advise her on practical things that she must pay attention to in order to keep the repair costs of her tractor as low as possible.	(7 × 2)	(14)
2.5	Explain how the tractor will add value to her farming business.	(3 × 2)	(6)
			[50]

QUESTION 3: ANALYSIS AND INTERPRETATION OF FARMING RESULTS

Study the following information on the farm's annual income and expenses that you need to analyse and answer the questions.

ITEM	AMOUNT (R)
Seed bought from NTK	30 000
Fertilizer and spraying materials bought from POP-AGRI	100 000
Crop insurance premiums with Murovhi Financial Services	100 000
Remuneration of casual workers during harvesting and planting	170 000
Remuneration to permanent staff	150 000
Crops sold to Shoprite	350 000
Chickens sold to KFC	900 000
Electricity cost	10 000
Cost of water and fuel	58 000
Production cost of chickens	150 000
Insurance of a lorry	18 000
Bank charges	3 000
Legal expenses	25 000
Interest on loan capital	50 000
Land rental	25 000
Other costs of foreign capital	10 000
Accountant fees	5 000
Travelling costs	6 000
Accommodation and meal costs	10 000
Telecommunication costs	25 000

3.1 How many farm enterprises are considered in this income statement? (1)

3.2 Identify the enterprises mentioned in QUESTION 3.1. (2)

3.3 Calculate the gross margin of each enterprise mentioned in QUESTION 3.2. (20)

3.4 Which enterprise has the highest gross margin? (2)

3.5 Would it be correct to conclude that the enterprise mentioned in QUESTION 3.4 is more profitable? Motivate your answer. (4)

3.6 Determine from the given information all the items that are difficult to assign to a single branch of the farming enterprise. (13)

3.7 Motivate your answer in QUESTION 3.6. (2)

3.8 Identify the enterprise that is showing a negative gross margin. (2)

3.9 Explain whether it is safe to conclude that the enterprise mentioned in QUESTION 3.8 must be cut. (4)

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QUESTION 4: THE DEVELOPMENT OF A FARMING STRATEGY

4.1	Discuss the components of management ability that farmers need in order to achieve great financial success.	(5 × 3)	(15)
4.2	Give four reasons why the formulation of objectives is not an easy task.	(4 × 2)	(8)
4.3	Discuss the resources that represent the internal environment of a farming enterprise.	(5 × 2)	(10)
4.4	Write short notes on the factors that represent the external environment of a farming enterprise.	(6 × 2)	(12)
4.5	Discuss the market and price uncertainties that affect agriculture.		(5)
			[50]

TOTAL: 200

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